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India

Grain and Feed

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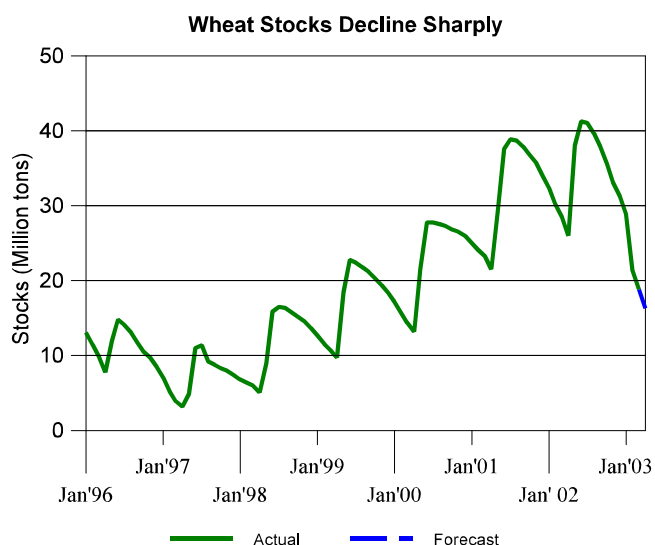
Report Highlights:

The Indian government recently revised wheat stocks significantly downward. The war in Iraq is likely to impact India's wheat and rice exports.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Government Revises Wheat Stocks Down

A verification of government-held wheat stocks in Punjab revealed a large discrepancy between actual stocks and the book entry, necessitating a 5 million ton downward adjustment in stocks. Accordingly, the government wheat stocks on February 1 are estimated at 21.3 million tons, a three-year low, compared with 28.8 million tons a month ago and 30.2 million tons a year ago (see Figure below). Although the discrepancy is attributed to "accounting errors" accumulated over a period of years, the government has ordered an investigation to rule out any possibility of fraud. The PS&D table has been revised to reflect the revised government stocks.



Iraq War Likely to Impact Indian Grain Exports

The war in Iraq is likely to impact India's grain exports as several middle-eastern countries, particularly Saudi Arabia, the United Arab Emirates, and Kuwait are major markets for India's rice and wheat. India's rice exports to the Middle East in CY 2002 were around 1 million tons, and wheat exports during 2001/02 (July/June) were around 850,000 tons. More recently, Iraq started buying Indian wheat again, following the visit of a high level Iraqi delegation in January. The delegation was satisfied by India's port cleaning facilities and quality control mechanisms. According to trade sources, Iraq was ready to buy Indian wheat to the tune of 1 million tons a year subject to exporters fulfilling quality standards; outstanding orders were for 600,000 tons. A trial shipment of 22,000 tons of wheat made by an Indian exporter following the delegation visit was cleared at the Iraqi port. However, following the outbreak of war, two subsequent shipments for a total quantity of around 22,000 tons, which left the Indian port in mid-March, could not make it to Iraqi ports, and are reportedly stranded offshore near Dubai. There is also concern among Indian exporters that in the post-war era, Indian wheat exports to Iraq will lose out to exports from the US and Australia.

Shipping lines operating in the Indian subcontinent and Gulf sector have decided to levy a war-risk surcharge. The government is also considering raising a war risk premium on Indian vessels. These factors, combined with high freight cost, would make exports costlier and thus impede

them. According to trade sources, the war has partially hit movement of cargo from the Port of Kandla in the west coast, a major shipping port for rice, wheat, and other agricultural produce to the Middle East and African countries.

Rice Procurement and Stocks Down

Reflecting the impact of drought, government procurement of rice during the 2002/03 (Oct-Sep) marketing year up to March 21 is down 3 million tons at 13.7 million tons, compared with 16.6 million tons procured during the corresponding period of last year. Government rice stocks on February 1 are at 18.8 million tons, compared with 26.1 million tons a year ago and 22.4 million tons two years ago.

Table 1: Government Procurement, Stocks and Off take of Wheat (year ago)
(million metric tons)

| | Stocks | Procurement Cumulative | Imports | Off take * |
|--------------------|--------------|------------------------|---------|------------|
| Mar 1, 2002 | 28.5 (23.3) | 20.6 (16.4) 1/ | | 1.7 (1.6) |
| Apr 1 | 26.0 (21.5) | | | 1.1 (1.0) |
| May 1 | 38.1 (29.2) | | | 1.3 (1.0) |
| Jun 1 | 41.3 (37.6) | | | 1.6 (0.8) |
| Jul 1 | 41.1 (37.5) | | | 1.5 (0.7) |
| Aug 1 | 39.7 (38.7) | | | 2.4 (0.8) |
| Sep 1 | 37.9 (37.9) | | | 2.2 (1.2) |
| Oct 1 | 35.6 (36.8) | | | 2.3 (1.4) |
| Nov 1 | 33.1 (35.8) | | | 1.7 (1.6) |
| Dec 1 | 31.3 (34.0) | | | 2.4 (1.6) |
| Jan 1, 2003 | 28.8 (32.4) | | | 2.4 (2.0) |
| Feb 1 | 21.3 (30.2)# | 19.0(20.6) 2/ | | |

* Includes exports

1/ Cumulative procurement : April 1, 2001 - March 31, 2002

2/ Cumulative procurement April 1, 2002 - March 21, 2003

The sharp decline in stocks is attributed to "accounting errors" (see text for further explanation)

Table 2: Government Procurement, Stocks and Off take of Rice (year ago)
(million metric tons)

| | Stocks | Procurement Cumulative | Imports | Off take * |
|--------------------|---------------|-----------------------------------|----------------|-------------------|
| Mar 1 | 26.0 (23.2) | | | 2.3 (1.0) |
| Apr 1 | 24.9 (23.2) | | | 1.7 (0.7) |
| May 1 | 24.5 (22.9) | | | 2.4 (0.9) |
| Jun 1 | 23.4 (22.9) | | | 2.4 (0.8) |
| Jul 1 | 21.9 (22.7) | | | 2.1 (0.9) |
| Aug 1 | 20.1 (22.2) | | | 2.5 (1.1) |
| Sep 1 | 17.5 (21.6) | 21.3 (19.6) 1/ | | 1.9 (1.5) |
| Oct 1 | 15.8 (21.5) | | | 2.0 (1.1) |
| Nov 1 | 20.5 (26.5) | | | 1.6 (1.2) |
| Dec 1 | 20.3 (25.1) | | | 1.8 (1.3) |
| Jan 1, 2003 | 19.4 (25.6) | | | 1.8 (1.8) |
| Feb 1 | 18.8 (26.1) | 13.7 (16.6) 2/ | | |

*** Includes exports**

1/ Cumulative procurement: October 1, 2001 - September 30, 2002

2/ Cumulative procurement: October 1, 2002 - March 21, 2003

Table 3: Commodity, Wheat, PSD

| | | | | | | | |
|------------------------|--------|---------|--------|---------|--------|---------|-----------------|
| PSD Table | | | | | | | |
| Country: | India | | | | | | |
| Commodity: | Wheat | | | | | | |
| | | 2001 | | 2002 | | 2003 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | 04/2001 | | 04/2002 | | 04/2003 | (MONTH/YEAR) |
| Area Harvested | 25,068 | 25,068 | 25,680 | 25,680 | 24,200 | 24,200 | (1000 Hectares) |
| Beginning Stocks | 21,500 | 21,500 | 26,000 | 23,000 | 22,000 | 20,000 | (1000 MT) |
| Production | 68,763 | 68,763 | 71,810 | 71,810 | 67,000 | 67,000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 32 | 32 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jul-Jun Imports | 33 | 33 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jul-Jun Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 90,295 | 90,295 | 97,810 | 94,810 | 89,000 | 87,000 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 3,087 | 3,087 | 5,000 | 5,000 | 3,000 | 3,000 | (1000 MT) |
| Jul-Jun Exports | 3,234 | 3,234 | 5,000 | 5,000 | 3,000 | 3,000 | (1000 MT) |
| Feed Dom. Consumption | 500 | 500 | 600 | 600 | 700 | 700 | (1000 MT) |
| TOTAL Dom. Consumption | 61,208 | 64,208 | 70,810 | 69,810 | 71,000 | 70,000 | (1000 MT) |
| Ending Stocks | 26,000 | 23,000 | 22,000 | 20,000 | 15,000 | 14,000 | (1000 MT) |
| TOTAL DISTRIBUTION | 90,295 | 90,295 | 97,810 | 94,810 | 89,000 | 87,000 | (1000 MT) |